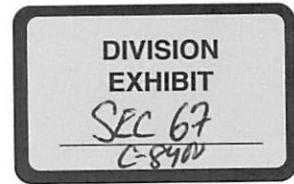


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Feel free to edit.

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Catalyst Hedged Futures Strategy Fund Update: February 14, 2017

Beginning in December of last year the Fund has periodically exhibited significant bouts of volatility in its daily NAV. Over the past 3 days this volatility has been particularly severe. I wanted to offer you some insight into why this has occurred and what we are doing about it.

First, recall how we earn our return. In normal, low volatility conditions we use call option spreads placed above the market to capture upside price movement without downside risk. These positions consist of buying a call option on the S&P 500 above the market and selling multiple call options higher in strike price than the option purchased. This creates a position that carries a range of profit above the market at options expiration. The maximum profit in the position is at the short options strike and the position's risk is above the short option strike.

Based on our volatility analytics the Fund's portfolio was focused on entering call option positions in the second half of 2016. Flat price action leading into the US election lead us to place those positions with very similar strike prices in December, January and February expirations. The sharp post election rally propelled price into and in some cases through the short strikes of our option spreads. Near to expiration, option values become very sensitive to movement in the underlying index (the S&P). So basically we have just spent 2 months and 4 expiration periods with the price bouncing at or just above our position short strikes. This has lead to the bouts of volatility the Fund has demonstrated in the past few months.

The recent week has been particularly volatile. February options expirations contained the Fund's largest concentration of positions both based on conditions months ago when they were entered and based on the repositioning of options from the prior several expirations. The sharp move higher over the last 3 days combined with the concentration of positions and sensitivity of short dated options lead to a dramatic move in Fund NAV.

What we have done:

- We adjusted at the beginning of the move but our normal exit and adjustment protocols were not sufficiently responsive. Yesterday and today we simply exited all of our February positions in order to contain further risk.
- We activated an additional risk metric that we have been testing in response to the onset of heightened Fund volatility. This metric will force earlier and more aggressive adjustment actions to help avoid the impact of expiration related volatility.
- We have also placed concentration and placement rules on position entry to require greater diversification of positions across expiration periods and strikes.

What this means going forward:

- **The strategy is intact.** As we do following any drawdown, we have made changes to try to improve risk management while maintaining the return profile the strategy has delivered in the past.
- **The Fund is intact.** We have experienced the market conditions that are normally unfavorable for us, i.e. a rapid upside move in extremely low volatility conditions. The impact on the Fund was even more severe due to a perfect storm of conditions, some of which were our own doing. We think we have those fixed.
- **Our return opportunities are intact.** We have done a reset to control risk. However it is early in the year and we have ample opportunity to earn a positive return even under continued low volatility conditions. Should volatility return, as many market watchers predict, we look forward to the enhanced return opportunities of our long volatility strategies.